Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 EB-08 OMB-01 TRSE-00 AGRE-00 COME-00 /075 W ------123470 061623Z /43

R 061400Z SEP 78 FM AMEMBASSY WARSAW TO SECSTATE WASHDC 7252 AMCONSUK KRAKOW AMEMBASSY MOSCOW AMCONSUL POZNAN AMCONSUL MUNICH

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E.O. 11652: N/A

TAGS: EPAP, ECSM, PL

SUBJECT: PRICE INCREASES FOR POTATO FLOUR

- 1. THE SEPTEMBER 3 ISSUE OF TRYBUNA LUDU ANNOUNCES A 63 PERCENT INCREASE IN THE RETAIL PRICE OF POTATO FLOUR, A BASIC FOODSTUFF IN POLAND, FROM 9.50 ZLOTYS PER KILOGRAM TO 15 ZLOTYS PER KILOGRAM. THE PRICE HAD NOT BEEN CHANGED FOR TWENTY YEARS.
- 2. THE REASON GIVEN FOR THE PRICE INCREASE IS THE "NECES-SITY OF MAINTAINING A REALISTIC RELATIONSHIP BETWEEN COSTS OF PRODUCTION AND RETAIL PRICES." HOWEVER, THE NEW RETAIL PRICE STILL DOES NOT COVER THE COST OF PRODUCTION SO GOVERNMENT SUBSIDIES WILL CONTINUE, ACCORDING TO THE ARTICLE.
- 3. THE ARTICLE ALSO STATES THAT SUBSIDIES FOR POTATO FLOUR HAD REACHED A HALF BILLION ZLOTYS (15 MILLION DOLLARS) ANNUALLY BECAUSE THE PRICE OF POTATOES HAS QUADRUPLED SINCE 1960 WHILE THE PRICE OF POTATO FLOUR HAS NOT CHANGED UNTIL NOW. LIMITED OFFICIAL USE

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4. COMMENT: THIS DEVELOPMENT MAY CONSTITUTE A LIMITED TEST OF THE APPLICATION OF ECONOMIC RATIONALITY TO THE POLISH FOOD DISTRIBUTION SYSTEM, A RARE, BUT WELCOME EVENT. END COMMENT. SCHAUFELE

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